

Message Text

CONFIDENTIAL

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ACTION AF-18

INFO OCT-01 EUR-25 EA-11 ADP-00 CIAE-00 DODE-00 PM-09 H-02

INR-10 L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15

USIA-12 IO-12 RSR-01 /134 W
----- 068799

R 130859 Z APR 73

FM AMEMBASSY MOGADISCIO

TO SECSTATE WASHDC 716

INFO AMEMBASSY ADDIS ABABA

AMEMBASSY LONDON

AMEMBASSY NAIROBI

AMEMBASSY SEOUL

C O N F I D E N T I A L MOGADISCIO 0504

E. O. 11652: GDS

TAGS: PFOR KE SO

SUBJ: SOMALI- KENYAN RELATIONS

1. IN HIS TALK WITH ME APRIL 12, PRESIDENT SIAD SAID THAT IN CONTRAST TO PRESENT ETHIOPIAN- SOMALI TENSIONS, RELATIONS WITH KENYA WERE OK. FOR THIS REASON HE HAD BEEN BADLY SURPRISED AND UPSET BY KENYAN ATTORNEY GENERAL NJONJO' S STATEMENT RECENTLY PUBLISHED IN NAIROBI PAPER TO EFFECT SOMALIS WERE PREPARING ATTACK ON KENYA.
2. SIAD SAID HE HAD URGED -- AND WOULD CONTINUE TO URGE -- KENYAN CORRESPONDENTS TO TRAVEL FREELY ALONG SOMALI- KENYAN BORDER TO SATISFY THEMSELVES THAT THERE WERE NO SOMALI TROOPS, MUCH LESS PREPARATIONS TO ATTACK KENYA.
3. PRESIDENT SAID HE WAS BAFFLED BY ATTORNEY GENERAL' S STATEMENT AND WONDERED IF THIS REFLECTED KENYAN GOVERNMENT' S ATTITUDE. WERE BRITISH BEHIND THIS?
4. I SAID I STRONGLY DOUBTED IT, BUT THOUGHT THAT KSYANS, WHO HAD RELATIVELY MODEST ARMY, WERE WORRIED ABOUT SOMALI GUERRILLAS TRAINED IN NORTH KOREA.

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TM WHILE NOT SPECIFICALLY DENYING THE GUERRILLA TRAINING, SIAD BELITTLED ITS IMPORTANCE AND SAID TRAINING HAD BEEN PRIMARILY IN AGRICULTURAL DEVELOPMENT AND ON AGRICULTURAL EQUIPMENT THAT NORTH KOREA WAS SUPPLYING SOMALIA. HE ARGUED THAT AS ANOTHER UNDERDEVELOPED COUNTRY, NORTH KOREA HAD MORE

TO AFTER GENERAL SCREENING FOR REASONABLE-NESS) TO ESTABLISH P & L AND CASH FLOW PROJECTIONS FOR EXISTING PLANTS. SINCE THIS DATA WOULD NOT BE NEEDED, NOR IN FACT WANTED, BY MCKEE UNTIL THE STUDY OF ESPIYE ALONE IS NEARLY COMPLETE IT MAY BE REASONABLE TO ASSUME THAT KBI CAN COME UP WITH IT. ADVISE.

5. MCKEE VIEWS ESPIYE BASICALLY AS SEPARATE AND INDEPENDENT STUDY WHICH SHOULD DETERMINE ESPIYE'S VIABILITY REGARDLESS OF WHETHER PRODUCED COPPER CONCENTRATE IS PROCESSED IN SAMSON, TOLLED THROUGH OUTSIDE SMELTER, OR SOLD OUTRIGHT. ASSUMING ADEQUATE MARKET DEMAND FOR BOTH BLISTER AND CONCENTRATE OF TYPE ESPIYE WOULD PRODUCE, THERE IS MERIT IN LOOKING AT ESPIYE SEPARATELY, THOUGH INTEGRATED OPERATION FIRST CONSIDERATION. WE WILL SEEK TO GET MCKEE TO BETTER UNDERSTAND THAT (A) POTENTIAL FINANCIAL, TECHNICAL AND MANAGERIAL IMPACT OF ESPIYE ON KBI'S EXISTING OPERATIONS ALSO MUST BE TAKEN INTO CONSIDERATION IN DETERMINING ESPIYE'S VIABILITY AT ANY GIVEN TIME; AND (B) IF AFTER CAREFUL TECHNICAL APPRAISAL IT NOT REASONABLE TO ASSUME THAT SAMSUN SMELTER CAPACITY ADEQUATE TO CONSUME ANY PART OF PLANNED ESPIYE COPPER CONCENTRATE IN ADDITION TO EXPECTED FLOW FROM MURGUL THIS IS IMPORTANT CONSIDERATION IN OVERALL APPRAISAL ESPIYE.

6. CONCUR YOUR ASSUMPTION PARA 5 REFTEL RE A. I. D. IN-HOUSE COVERAGE ECONOMIC ASPECTS BEYOND THAT WHICH MCKEE EXPECTED COVER. MCKEE OBVIOUSLY NEEDS TO ADDRESS FUTURE MARKET DEMAND FOR BLISTER AS WELL AS PRODUCTS ESPIYE WOULD PRODUCE AND PROFITABILITY PROPOSED INVESTMENT AT VARIOUS PRICE LEVELS INCLUDING BREAK-EVEN ANALYSIS. USAID EXPECTED TO UNCLASSIFIED

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ASSESS IN CAP POSSIBILITIES BETTER ALTERNATIVE INVESTMENTS, FOREIGN EXCHANGE IMPLICATIONS AND NATIONAL ECONOMIC RETURN. ROGERS

UNCLASSIFIED

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